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Clarifying the strategic advantage of familiness: Unbundling its dimensions and highlighting its paradoxes

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ABSTRACT

Using a resource-based theoretical lens we clarify familiness by identifying the dimensions of this unique family business resource in multigenerational family firms. Using data from four in-depth case studies, we provide evidence that familiness is comprised of human resources (*reputation* and *experience)*, organisational resources (*decision-making* and *learning)*, and process resources (*relationships* and *networks)*. Furthermore, we demonstrate how these resource dimensions are paradoxical in nature in that each influences the family firm in both positive and negative ways. These dimensions and their nature (positive/negative) thus not only help clarify a firm's familiness but also move the construct from a conceptual notion into a more operationalised form.

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Keywords: Family business, familiness, resource-based view, paradox

Introduction

Increased interest in family business research is partly influenced by their numerical dominance in most economies (Eddy 1996; Morck and Yeung 2004) and recent evidence that some of these firms have been found to financially outperform their non-family counterparts (Anderson and Reeb 2003; Dyer 2006; Villalonga and Amit 2006). Given that it is the involvement of the family in the business (Gersick et al. 1997; Tagiuri and Davis 1996) that differentiates the family business from other forms of business (Chrisman et al. 2003) it is not surprising that the search for the origins of the competitive advantages that drive these superior performances has focused on identifying the uniqueness that arises from the family involvement (Klein et al. 2005). This, uniqueness is likely to be central to family business strategy.

It has been suggested that this uniqueness is largely a result of the idiosyncratic resources and capabilities that are generated when the family system and the business system interact and co-exist in unison (Basco and Pérez Rodríguez 2009; Nordqvist and Melin 2010; Pieper & Klein 2007). This idiosyncrasy has been labelled *familiness.* Conceptualised from the Resource-based view (hereafter RBV) theory of the firm (e.g. Peteraf 1993; Wernerfelt 1984), familiness refers to the idiosyncratic firm-level bundle of resources and capabilities a particular firm has because of the systemic interaction between the family, its individual members and the business (Habbershon and Williams 1999; Habbershon et al. 2003).

In a relatively short period of time familiness has become a widely acknowledged and popular construct with family business researchers (e.g. Chrisman, Chua and Steier, 2005; Habbershon and Williams 1999; Moores and Craig 2005; Nordqvist 2005). However, the sources and types of *familiness* are yet to be understood (Chrisman, Chua and Steier, 2005). The construct itself - its dimensions, antecedents, and consequences - has been left unattended in the field (Sharma and Zahra 2004) and familiness remains a somewhat fuzzy concept (Moores 2009). To better understand *familiness* we need to identify and study the core dimensions that constitute the construct else it risks remaining an umbrella concept that lacks conceptual clarity (Lambrecht and Koiranen 2009; Sharma 2008) and which will have no role in future theory building endeavours (Moores 2009). The purpose of this paper is to provide conceptual clarity by identifying the dimensions of this idiosyncratic family business resource.

The contribution of our study is threefold. First, we utilise the Resource Based View (RBV) to theoretically explain the distinctive competitive advantage that results from resources arising out of family involvement in business. We thus explain the central role familiness plays in a family business. Secondly, we identify the resource dimensions that constitute the familiness construct. In doing so, we extend the familiness from a conceptual construct into more measurable and operational dimensions and offer greater clarity for understanding its resource constituents. Thirdly, we identify the nature of these resource dimensions to better understand and explain how familiness can influence the business in both positive and/or negative ways and position this conversation in terms of paradoxes that need to be managed to optimize strategic advantage.

The remainder of the paper is structured as follows. We proceed to review the RBV familiness literature and position this in a paradox frame. We then outline the case methodology we adopted for our research design. We next report the results and present a discussion of their implications. We conclude with limitations and suggestions for future research.

RBV and Familiness

RBV is arguably the most influential framework currently employed to understand firm strategy (Barney 1991). With a focus on the internal endowments of the firm and how these can best be utilized for the firm’s advantage, RBV has deepened the appreciation of how firm resources are applied and combined to enable sustainable competitive advantage (Peteraf 1993). In particular, the framework has highlighted the uniqueness and complexities of intangible resources.

According to RBV, firms survive by attaining a sustainable competitive advantage through being able to combine heterogeneous and imperfectly mobile resources (Penrose, 1959; Wernerfelt, 1984). Specifically RBV distinguishes the nature, characteristics and potential of a firm’s complex, idiosyncratic, and unique internal processes and intangible assets, including the values, beliefs, and symbols, and interpersonal relationships possessed by individuals or groups (Barney, 1991). These internal resources and capabilities are assumed to be not only heterogeneous, but also will ultimately deliver a competitive advantage to the firm (Barney, 1991).

The distinction between resources and capabilities is important and stems from the early work of Penrose (1959) who separates resources from the services they render. Amit and Schoemaker (1993) stress that the encompassing construct previously called resources can be split into resources and capabilities. They define resources as “stocks of available factors that are owned or controlled by the firm” and capabilities as ‘the firm’s capacity to deploy these resources” (Ibid, p.35). The distinction is important because while resource heterogeneity is a necessary condition of RBV, it is not a sufficient condition for sustainable advantage (Alvarez & Busenitz, 2001). These resources require the capabilities to identify and maximise the value potential of these resources (Sirmon & Hitt, 2003). In other words while resources can be those (tangible and intangible) assets which are tied semi-permanently to the firm at any time (Wernerfelt 1984) in order for them to contribute optimally to firm sustainability they must be valuable, rare, imperfect imitable, and non-substitutable (VRIN) (Barney 1991).

Using the RBV framework, Sirmon and Hitt (2003) argue that family businesses evaluate, acquire, shed, bundle, and leverage their resources in ways that are different from businesses that are not family owned. In part, these unique resources can emerge from the fact that family often also act as owners and/or managers. In the family business context, the term *familiness* has been introduced to define the unique bundle of idiosyncratic resources and capabilities existing in family firms (Habbershon, Williams & McMillan, 2003). As such, familiness is one of the intangible factors that make the family business different to their corporate equivalents, and can be a point of difference that contributes to competitive advantage. Conversely it can have a stifling effect and inhibit growth (Craig & Lindsay, 2002). Specifically, Habbershon, Williams and McMillan (2003) propose that familiness-related resources and capabilities can present both a source of advantage as well as a source of disadvantage to the firm.

In sum, a central tenet of RBV is that firm heterogeneity, both in resources and the manner in which they process those resources, is an antecedent for creating competitive advantage (Barney 1991; Penrose 1959). In family firms competitive advantage is often attributed to the presence of familiness resources which differentiate family firms and give them their uniqueness (Habbershon et al. 2003). RBV has provided a clearer conception of family firms from an internal perspective by focusing on the nature, characteristics, and potential of a firm's internal resources.

Familiness has been found to have positive (e.g. Tokarczyk et al. 2007; Zellweger et al. 2008b) and negative (e.g. Leenders and Waarts 2003; Stewart 2003) effects on firm performance. Habbershon et al. (2003) refer to these positive and negative outcomes as a consequence of the distinctive (f+) and constrictive (f-) natures of *familiness*. However the field has yet to determine the conditions and factors that cause f+ or f- outcomes Chrisman, Chua and Steier, 2005). Furthermore, it is our contention that failure to clearly specify the resource dimensions comprising *familiness* also adds to the equivocality of the results. This lack of definitional precision has disadvantages at both theoretical and practical levels. From a theoretical perspective, the familiness construct is ambiguous and remains an umbrella concept that may represent a variety of things (Lambrecht and Koiranen 2009; Sharma 2008). From a practical viewpoint, family firms may not be able to clearly identify their familiness resources and consequently misinterpret the influence and effects the family has on the business.

There have been a limited number of studies that have focussed on understanding familiness. While most quantitative studies have used family involvement in ownership and management as proxy measures for familiness, Chrisman, Chua and Sharma (2005) note that there is more to ascertaining familiness than the mere components of involvement. Certainly a distinction is required between defining a family firm and defining familiness since being a family firm is not, in itself, sufficient grounds for the presence of familiness. Table 1 summarises some of the more recent studies and the assumptions and proxies these studies have used to explain or represent familiness. While the representation of familiness has varied from study to study, it has been generally agreed that familiness is largely composed of the resource endowment and capability of the family business together with the family's influence in the management and deployment of these resources. Pearson, Carr & Shaw (2008) draw upon social capital theory to provide some conceptual clarity and in commenting on this work Sharma (2008) adds further clarity by emphasising both the stocks and flows of this capital in the creation of familiness.

But, notwithstanding these commendable efforts, familiness still remains a somewhat 'fuzzy concept' (Moores 2009) because its skeletal makeup, that is resources, lacks in definitional clarity. Furthermore, defining what a resource is, what makes resources unique, and how resources contribute to the competitive advantage of firms continue to evolve and change. Our objective in this paper is to more clearly identify what resources and resource categories compromise the bundle of resources that is familiness.

INSERT TABLE 1 HERE

To delineate familiness resources, it is important to first identify the resource categorization to adopt. Several are presented in the literature. As noted above, Wernerfelt (1984 p.172) defined resources as “anything which could be thought of as strength or weakness of a firm and at any given time can be defined as those assets which are tied semi-permanently to the firm”. Barney (1991 p.101) provided further detail when he observed that resources are “all assets, capabilities, organizational processes, firm attributes, information, knowledge, etc. controlled by a firm that enables the firm to conceive of and implement strategies that improve its efficiency and effectiveness”. He then suggested that resources can be classified into three main categories; physical, human, and organisational resources. Miller and Shamsie (1996) extended the definition by distinguishing intangible and tangible resources. They labelled intangible resources as those that were knowledge-based while the tangible resources were property-based. Intangible resources give sustained competitive advantage because they are often unknown, firm-specific, and/or difficult to identify thus making their replication complicated. The “strength or weakness” feature of resources generally highlights the paradoxical nature of all resources which can specifically manifest as distinctive (f+) and constrictive (f-) familiness in family firms.

The notion of paradoxes is not new and is widely discussed in organization and management scholarship (e.g. Lewis 2000; Poole and Van de Ven 1989; Sundaramurthy and Lewis 2003). Although there are several definitions of paradox (see Lado et al. 2006), it is generally understood as contrary or even contradictory propositions which we are driven by apparently sound arguments (van Heigenoort (1972), as cited in Lado et al. 2006). The role and use of these logical contradictions (paradoxes) in academia has been to identify tensions and oppositions in order to develop more encompassing theories (Handy 1994; Poole and Van de Ven 1989). Lewis (2000) explores paradox further and develops a framework that clarifies the nature of paradoxical tensions, reinforcing cycles, and their management. She suggests that when actors seek to resolve perceptual tensions leads to reinforcing cycles, those paralysing defences which initially reduce discomfort and anxiety yet eventually intensify tensions. Ultimately she emphasizes that managing paradox means capturing its enlightening potential in ways that shift the notion of ‘managing’ from the modern definitions based on planning and control to coping – its original meaning (Handy 1994).

Some previous studies (e.g. Moores 2009; Moores and Barrett 2002) are suggestive of using paradoxical themes when ascertaining the nature of the family business resources. Moores and Barrett (2002) first highlighted this paradoxical nature when they studied the learning cycle in family firms. More recently Nordqvist et al. (2008) also allude to the paradoxes in family firms although in their research they labelled these as family firm ‘dualities’ that must be addressed if the firm is to attain long-term performance advantage. Likewise, identifying the nature of family business resources using the notion of paradox increases the ‘generative potency’ (DiMaggio 1995) of familiness as a theoretical construct in the family business field.

A suggested response to dealing with paradoxes that cannot be resolved is to ‘accept the paradox and learn to live with it’ (Poole and Van de Ven 1989 p566). Alternatively, Handy (1994) suggests that paradoxes cannot be resolved and can only be managed. The ability to manage the paradoxical nature of familiness resources are linked to the capabilities of the firm. It is these capabilities that determine how firm resources are managed, integrated, and deployed effectively to achieve competitive advantage (Hitt et al. 2001; Penrose 1959; Sirmon and Hitt 2003).

Methodology

Research Design

To address the research issue and discuss the resource constituents of familiness in family firms, qualitative, case-based data were collected for analysis. A qualitative approach is most suited for exploratory research encompassing theory building and is generally the recommendation when the phenomenon under study is related to a complex social context (Yin 1994), as is the case with the family business. The nature of family businesses calls for a qualitative approach because it addresses the complexity, dynamics, integration, and invisible issues surrounding the family business (Goffee 1996). The qualitative research approach was particularly relevant here for understanding meanings (familiness), contexts (family businesses), and processes in their natural settings (Denzin and Lincoln 1994). A qualitative research design was also useful here because the notion of 'familiness' is at an early formative stage and there is less prior knowledge of what the variables of interest are and how they will be measured.

This study adopts a multiple case design because it permits us to strive towards understanding the phenomenon of interest (familiness) by using several independent instrumental case studies to get an insight in the studied area. Yin (1994 p.46) advocates using multiple case studies because, "…the evidence from multiple cases is often considered more compelling and the overall study is therefore regarded as being more robust".

For the purposes of the study, four family-owned businesses ranging in size from 15 to more than 800 employees were selected from four industries for interviews (see Table 1). The cases were theoretically sampled using a literal replication (Yin 1994) since the objective was to provide greater illumination into the resource components of familiness. All four firms were of Australian heritage, multigenerational, private firms with 100% family ownership, and had shown significant growth since their establishment.

INSERT TABLE 2 HERE

Data Collection

Eisenhardt (1989) and Yin (1994) recommend combining multiple data collection methods when using case studies. Using such an approach in gathering empirical material added rigor, breadth, depth (Denzin and Lincoln 1994) and enhanced our understanding thus creating a fuller picture of the phenomena under study. In this research, these methods included interviews, observations, correspondence, and various documents including newspaper articles and company published material.

Open ended, semi-structured, in-depth interviews were the primary mode of data collection in this research. Open ended questions proved valuable because of their flexibility and the ability to adapt from person to person, while still having a firm grip on issues being studied (Yin 1994 p.59). The open-ended interview questions[1] were conducted in a semi-structured manner to minimize researcher bias and allow respondents to reflect, elaborate and extend those experiences most meaningful to him/her. This approach helped generate, elaborate, and extend conversations that allowed a deeper probing of the interested

1 The main instrument in this research is the interview protocol guide. This instrument is an adapted version of the STEP project interview guide. STEP is the acronym for 'Successful Transgenerational Entrepreneurial Practices'. STEP is a global project in which Bond University is a partner. For more information on STEP, refer to www.stepproject.org.The instrument has been validated in pilot tests in North America and Europe. The protocol guide was not taken in its entirety and incorporates modifications to address issues pertinent to this research and to make it appropriate within an Australian context.

phenomena. The primary goal of the in-depth interviews was to elicit the respondents' views and experiences in his/her own terms.

The length of interviews ranged from 1.5 to 3 hours. 16 interviews were recorded and transcribed. The number of interviews was not pre-set, but determined in part by pragmatic considerations, such as time and financial constraints, and also by the attainment of theoretical saturation[2]. The interviewee profiles included owner/founder of the family business, CEO (family or non-family), Chairman of the board (family or non-family), family members actively involved in the business and ideally from different generational levels, and non-family members playing significant roles within the family business.The interviews were guided by a case study protocol to enable consistency and reliability of data across cases in the context (Yin 1994). The case study protocol contained the interview instruments, and the procedures and general rules that were followed in using the instruments. Furthermore the in-depth interviews were supported with secondary empirical material. These included observations, archival data, and other documentation (e.g. annual reports, press articles, websites). Documents and observations were valuable sources of qualitative data and helped produce detailed descriptive accounts of what was happening.

Data Analysis

The procedures used in the analysis of the data in this research draws mainly from the work of Yin (1994), Eisenhardt (1989), and Miles and Huberman (1994). We followed their suggestions of firstly writing up case descriptions for each case. Secondly, we performed a

[2] Theoretical saturation is reached when themes and sub-themes related to data analysis begin to repeat themselves i.e. the researchers observe that no new themes are emerging from the data (Strauss and Corbin, 1998). While 16 interviews could be suggested as a low number to achieve saturation, it should be noted that the interviews lasted in total 30.6 hours and were complemented by the review of data from other sources such as websites, newspaper articles, company documents, and email correspondence. Saturation was attained here when adding cases (and interviews) had little effect on the number of nodes that were added in the NVivo analysis. Thus the addition of new nodes gradually decreased as data analysis moved from case 1 interviews to case 4 interviews.

within-case analysis. In the within-case analysis analytic techniques such as constructing information arrays, matrix of categories, creating flowcharts, and data displays suggested by Miles and Huberman (1994) were used to examine relationships and facilitate analysis. Lastly we concluded with thematic analyses across cases to elicit conceptual insights. We had no a priori hypothesis, instead used the theory to guide our analysis and interpretation of the data. In comparing the emergent concepts with the literature, we enhanced internal validity and generalizability of theory building from case study research (Eisenhardt 1989 p.545).

All data collected (transcribed interviews and documents) were recorded into NVivo for coding. Coding in qualitative research involved segmenting the data into units and rearranging them into categories that facilitated insight, comparison, and the development of theory (Strauss and Corbin 1998). Codes served as retrieval and organizing devices that allowed the rapid retrieval and clustering of all the segments related to a particular question, concept or theme. The selection of more than two coders helped develop more accurate and robust codes. Inter-rater reliability using Cohen's Kappa coefficient measure of inter-rater was used to indicate the strength of agreement in coding among the raters (Fleiss 1971).

Thematic codes were identified according to analytical categories derived from the literature. Using NVivo, patterns across cases were explored and investigated as to whether they could be attributed to the literature presented earlier. A systematic comparison of the emerging theory with the evidence from each case helped to assess how well or poorly theory fit with the data and when two or more cases were shown to support the same theory, replication was claimed (Yin, 1994). Cases which confirmed emergent relationships enhanced confidence in the validity of the relationships, while cases which disconfirmed the relationships provided opportunities to refine and/or extend theory (Eisenhardt 1989). Recurring patterns found across cases attributed to predicted associations (propositions) that were posited in a theoretical framework. What emerged from our data were insights that clarified the resource dimensions of familiness. In the next sections, we elaborate on these insights and describe their grounding in the data.

Results

The results presented here were elucidated from our between-case analyses. That is, those recurring relationships between the cases that were first identified in the within-case analyses. Table 3 highlights the eight familiness resource dimensions that were found as most prevalent, with six out of these eight dimensions recurrent across all four cases. The six recurrent dimensions were equally spread across the three resource categories (human, process, organizational), with each category having two recurring dimensions. This suggests that the family's influence over a firm's resources is neither limited nor bounded to one particular resource category. It provides support as to how families have excelled in a myriad of businesses having varying resource requirements.

INSERT TABLE 3 HERE

Indeed it has been suggested that to understand familiness requires a deeper examination of the resources within family firms that are family influenced (Chrisman, Chua and Steier, 2005). Heeding that suggestion we explored and observed what resources constitute familiness and its nature in family firms. Six resource dimensions, common across all four cases, constitute the familiness resource bundle. These are *experience – insights and skills*, *reputation, decision-making, learning, networks,* and *relationships*. Through these dimensions, familiness is most prominent and best expressed between the cases. Together the dimensions provide a suggested model[3] for the familiness resource bundle that to date has remained a somewhat ‘fuzzy’ concept (Moores 2009). The model offers a suggested clarification to the query ‘what is familiness’? (Chrisman et al. 2003). The *Familiness Resource Model* shown in Figure 1 illustrates the six resource dimensions that form the genetic makeup of familiness across the four cases. The resource dimensions in the model are of equal importance, with all six dimensions common to the four cases and distinguished by the family’s influence. Certainly different proportions of the dimensions may arise between family firms, giving rise to different archetypes of the suggested ‘familiness’ resource bundle.

INSERT FIGURE 1 HERE

As well as identifying the familiness resource dimensions in our cases, we also looked at their nature within the family firms. The characteristic nature for each resource dimension (see left column in Figure 1) was common across all four cases. The commonalities of these characteristics underlie and structure the prominence and inclusion of these resources in the familiness model. A paradoxical theme appears strongly across these characteristics. Some findings are presented in Table 4. Furthermore, balancing/managing these paradoxes emerges as the most suitable approach for exploiting the firm’s familiness advantages (f+) and simultaneously mitigating its disadvantages (f-). Thus family firms may succeed or fail based on differences in their capabilities to manage the familiness paradox. The positive (f+) and negative (f-) effect of familiness can be seen as comprising its paradoxical nature.

[3] *Culture* and *commitment* are two identified dimensions that are excluded from the model because of their lack of recurrence across the four cases; showing prominence in some cases while missing in others. Despite the exclusion, these two dimensions may still be present via their more broad encompassing nature. For example, it could be argued that the summation of the six dimensions of the model in terms of their content and processes, encapsulates the *culture* of the firm. Similarly, each of the six dimensions can also be explored in terms of the firm’s *commitment* to engage in these dimensions. These two dimensions are not discussed further.

INSERT TABLE 4 HERE

Discussion

The findings presented in this paper contribute to the growing stream of research on the misunderstood, sometimes maligned, concept that is familiness (Pearson et al. 2008; Sharma 2008; Zellweger et al. 2008a). We have demonstrated how RBV provides a unified approach in the conceptualization of the idiosyncrasy of the familiness resource bundle. The presented Familiness Resource Model is a simple and parsimonious way of identifying how familiness is composed of a unique bundle of six resources. This bundle comprises: r*eputation* and *experience – insights and skills* (human resources), *learning* and *decision-making* (organisational resources), and *relationships* and *networks* (process resources). These six resource dimensions emerge based on their prevalence, strong family influence, and VRIN characteristics.. The influence of the family through the six resource dimensions provides a clear theoretical frame for assessing the impact of familiness.

However, consistent with previous research (Penrose 1959; Sirmon and Hitt 2003) we acknowledge that the presence of the six familiness resources per se does not constitute a performance advantage. Notably the findings highlight that each of the resources have the ability to bestow either an advantage (f+) or impose a disadvantage (f-) on the family firm. We have positioned this in the terms of the paradoxical nature of familiness and family influenced resources. As such our study both supports and confirms the f+ and f-conceptualisation proposed by Habbershon (2006) and Habbershon et al. (2003). This notion of the paradox in familiness resources makes a contribution by extending previous literature by linking f+ and f- to a new theoretical concept that can be used to understand the nature of familiness. This contribution shows how the use of paradox can increase the ‘generative potency’(DiMaggio 1995) of familiness. Furthermore this contribution highlights how paradoxical thinking can enhance theorizing and open up new views for knowing and understanding familiness.

However, the effects (f+ or f-) of familiness are not so much predetermined by the nature of each resource in the familiness bundle but are instead achieved by the management of the paradoxical nature of each resource. It is then the capability to manage the paradoxical nature of these resources over time to achieve f+ effects greater than f- effects that complete the specification of the unique bundle of resources and capabilities that is familiness. Table 4 presented examples highlighting the paradoxical nature of the six familiness resources. A family firm that is able to understand and manage these paradoxes will have exceptional ability. For example, consider the resource dimension *decision-making* and the paradox of decision speed: fast and slow. There are conditions when the family as decision makers need to act quickly and there are times when decisions need careful consideration; both are important and have their use within the firm. The firm’s ability to make both rapid and gradual decisions at the right time and in the appropriate situation is central to managing this paradox. In doing so the paradox of decision speed (fast and slow) is not seen as contradictory, but rather becomes mutually compatible. Identifying familiness resources and their paradoxical nature helps us gain insight into how they are to be managed to provide the best advantage for the firm. It is in balancing the paradoxes that the greatest competitive advantage is generated for the firm with potential for long-term performance benefits.

The characteristics of the resources also helped clarify the conditions associated with familiness advantage. For *reputation*, it was being able to balance the reputation of the firm, the founder, and the family. It required commitment to building and protecting inherited reputation that benefited the firm rather than inhibit it. For *experience – insights and skills*, it was incorporating external experiences to complement the firm’s internal experiences and thereby allowing for continuous adaptation of the firm to changes in both the internal and external environment. For *learning*, it was harmonizing the formal and informal processes to ensure that formality did not stifle the informal processes by which the values and culture of the firm are channeled. *Decision-making* required knowing when to act quickly and when to stop (speed), when to make the decision within the dominant coalition and when to collaborate (forum), and when to formalize the informality of decision-making (process). For *relationships*, familiness advantage required the presence of trust, loyalty, altruism, and a strong chief emotional officer. Also multiple generations working concurrently within the business allowed strong relationship building within the family and with non-family employees. For *networks*, advantage came from maximizing the benefits of the firm's strong and weak ties.

In summary, our study answers the 'what' question in establishing the content of familiness. We not only identify the dimensions of the higher order summative unit familiness, but also specify the six resources that comprise the unique bundle that is familiness and which can serve as dimensions in future theory building exercises. These resources provide a means of clarifying our thinking and understanding of the structural composition of familiness. Secondly, the findings suggest that familiness advantage (f+) or disadvantage (f-), concerning their influence on the firm, results from the capability of the firm to balance and manage the paradoxical nature of these resources. Understanding this nature and the conditions that give rise to it allows the firm to exploit the f+ and mitigate the f- for long-term performance benefits. That is, familiness advantage arises out of the presence of these resources together with the capability to manage their paradoxical nature. These findings are captured in propositions P1 and P2 which are generated to stimulate the development of testable hypotheses for future empirical testing.

P1: *The familiness resource dimensions in family firms are the human resources: reputation and experience, the process resources: decision-making and learning, and the process resources: relationships and networks.*

P2: *Familiness is most advantageous (f+) to the family firm when its paradoxical nature is understood and managed according to prevailing conditions*

Limitations

Our work is not without its limitations and we hope that recognising these limitations will spur additional theoretical and empirical studies. First, it is argued that theories generated from case-study-based research are influenced by prior observations and subjectivity of the researcher who in collating, analysing, and interpreting the data may unknowingly present a source of bias. In this study, prior observations were guided by the literature and the fieldwork guided by the research methods and protocols which were designed to ensure validity of the research process. Another argument is that the limited number of cases questions the traditional quantity-based generalisation of the results. The objective of the study is to provide a deeper and richer description of the phenomenon and so reliability and construct validity were of greater prominence than external validity. The validity, meaningfulness, and insights generated from qualitative case study have more to do with the information-richness of the cases selected than with sample size. Each case is significant in its description and meaning of the familiness resources and their influence on entrepreneurial activity and can lead to improvements in theory and practice. Furthermore, it is no longer obvious that limited observations cannot be used to generalise, nor that studies on a large number of observations will result in meaningful generalisations (Guba and Lincoln 1994;

Yin 1994). The objective of understanding the phenomenon was the key reason an exploratory case study was selected for this study.

Second, the findings were based on data gathered from successful multigenerational firms. While the firms were selected for theoretical reasons (theoretical sampling) they limit the generalisation of these findings to these classes of firms. However case selection is driven by the phenomenon of interest and the nature of the research. In case-method research, analytical generalisation (as opposed to statistical generalization) is the objective (Yin, 1994 p36). Nevertheless, from the perspective of research design, a useful advance to strengthening robustness of theory and its generalisation would be to obtain information across a wider spectrum of family firms. This will enable cross validation of constructs and would permit modelling of differing perceptions of familiness and its influences in entrepreneurial activity across a wider variety of family firms. This would help extend the findings here beyond the boundaries set out within this study.

A third limitation of the study was the small number of interviews conducted, especially for the case firms BDC and PMC. More interviews with non-family employees and family members not actively involved in the business may have been more desirable and provided richer data. To help account for this limitation the interviews involved the main family participants in the business, were lengthy interviews averaging 2 hours per participant, and were supported with secondary sources such as websites, press material, and communication via emails.

Avenues for Future Research

Removing some of the previously mentioned limitations provides opportunities for extension of this research. Aside from those, the following suggestions provide other avenues worthy of exploration.

A primary next step for researchers would be to study whether patterns thematically akin to those presented here occur for successful multigenerational family firms in differing contexts and to determine how these patterns differ from those found here. Firms in a different cultural context may indeed give rise to different patterns, which are deemed of greater importance within their cultural context and environment. This could establish the overall performance implications of our *familiness* resource dimensions and their patterns.

The findings and conceptualised relationships presented from this qualitative exploratory case study are suggestive and they require significant follow-up work to establish their range, reliability, and validity. Positivist theory testing research based on surveys of large representative samples is needed to corroborate the findings, test the robustness of the theory and widen the generalisation of the findings. The suggested propositions presented in this study provide fruitful avenues where one can begin his or her research design.

Practical Implications

The findings of this study have important implications for practitioners, although the focus has mainly been centered on theorizing (theory building/extension). A practical implication of the study is that if family firms intend to maintain ownership of their business and remain successful across generations, they need to recognize the bases of their familiness and understand how it influences their business. Firms can then capitalize on the advantages (f+) and simultaneously manage the disadvantages (f-) of six distinct resources (see Table 3). Because each family business is unique, familiness may differ according to the nature of the business, the family, and the environment around which the two integrate and operate. The suggested familiness model provides a structure via which firms can identify their resources. The discussed characteristics of these resources, which have provided sustainable competitive advantages in the four cases studied, provide a benchmark to be tested and adapted within different family firm settings.

Conclusion

The presence of the family in the affairs of the business gives rise to a bundle of idiosyncratic resources termed *familiness* (Habbershon and Williams 1999) which is widely accepted and used within the field (e.g. Lester and Cannella 2006; Pearson et al. 2008; Rutherford et al. 2008; Zellweger et al. 2008b) and helps differentiate family businesses from other forms of business. However as yet we do not fully understand the nature of familiness nor the conditions that give rise to it (Chrisman, Chua and Steier, 2005), partly because of the broad scope of the construct. Moores (2009 p.174) highlights that at this stage of its development familiness is a summative unit that has limited utility in family business theory building. Accordingly clarifying the construct in terms of its dimensions will help to better understand this complex phenomenon such that it can feature in future theory building endeavours. This motivated our study which probes the *familiness* construct using Habbershon's (1999) definition of *familiness* and Barney's (1991) resource categories: human, organisational, and process.

We began by first asking what resources constitute familiness in family firms. Our study found six resource dimensions (reputation, experience – insights and skills, learning, decision-making, relationships, and networks) constitute familiness as a result of their prevalence and commonality across the cases. These dimensions were strongly family influenced. Their importance established their inclusion in the presented familiness model (Figure 1). Further analysis of these dimensions identified patterns suggestive of a paradoxical nature. Example of paradoxical relationships within the characteristic patterns of the familiness dimensions, were provided in Table 4. These dimensions, via their identified paradoxical nature, underlie the advantages (f+) or disadvantages (f-) familiness poses for a firm. Balancing (or managing) these paradoxes give rise to advantages (f+) for the firm while the inability to do this resulted in disadvantages (f-). A firm's ability to manage these paradoxes to a familiness advantage leading to sustained competitive advantage and transgenerational potential. Propositions P1 and P2, conclusions from our findings, were stated in the affirmative and now demand future empirical analysis.

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Table 1: Familiness and its representation in previous research

Origin and definition	The combination of existing stocks of social, human, financial, and physical capital resources in a firm resulting from interactions between family and business systems	Habbershon (1999) and Habbershon et al. (2003)
Knowledge-based	The firms knowledge with regards to technology, manufacturing, marketing, distribution, and human	Zellweger, Naldi, & Nordqvist (2008b)
Reputation	Brand recognition, company recognition, company's reputation, executive's reputation	
Social capital model of familiness	Family social capital - stability in membership, interactions and interdependence among members, and closure or interconnections within members	Arregle, Hitt, Sirmon, and Very (2007)
	Family social capital as consisting of three dimensions: structural, cognitive, and relational	Pearson et al. (2008)
FPEC scale	Three dimensions of familiness: (1) power, the influence the family has on governance and management of the firm; (2) experience, the information knowledge, judgment, and intuition that comes through successive generations; and (3) culture, the alignment of the family's goals and with the firm's.	Rutherford et al. (2008)
Market Orientation (MO)	Familiness resources of *Strategic Orientation*, *Family Relation*, *Customer Orientation*, and *Operational Benefit* influenced the firm's MO.	Tokarczyk et al. (2007)
Interorganizational familiness	Status in a community of family-controlled corporations provides a mechanism that, in addition to kinship ties, serves to extend and maintain family control and influence over their organizations and reduce the likelihood of firm failure	Lester and Cannella (2006)
Behavioural dynamics in TMTs	Familiness in TMTs results in higher cohesion, potency, task conflict, and shared strategic consensus.	Ensley and Pearson (2005)
Balanced score card	Familiness perspectives include financial (incentives for retiring generation), customer (family brand and image), internal processes (family philanthropic activities), learning and growth (career paths for family members).	Moores and Craig (2005)
Resource management and competitive advantage	Unique resources in family firms are human capital, social capital, patient capital and survivability capital, along with the governance structure attribute.	Sirmon and Hitt (2003)

Table 2: Description of Cases

	Case One	Case Two	Case Three	Case Four
Company Name*	Active Builders Corporation	Seasons Management Group	Builders Development Corporation	Parts and Motors Corporation
Industry(s)	Property Development, Real Estate, Communications	Management Rights, Accommodation, Real Estate, Tourism	Property Development, Retail, IT	Automobile Industry
Core Business	Property Development	Management Rights	Property Development	Automobile retail
Founding Era	1930s	1980s	1960s	1940s
Generation of family	5th	2nd	2nd	3rd
Shares owned by family	100%	100%	100%	100%
No. of family involved in business	4	4	4	3
Positions held by family	CEO, Managing Director, Director Sales, Director	Managing Director, Director x 3	Managing Director x 3, Director	Managing Director, Director x 2
Size of family (approx)	10	8	10	20-25
No. of Employees (approx)	120-150	80-100	15-25	600-800

Table 3: Comparison of Findings across Cases

Familiness		Case 1 ABC	Case 2 SMG	Case 3 BDC	Case 4 PMC	Across-case totals
Resource categories	**Resource dimensions**					
Human	*1. Experience – insights & skills*	*	*	*	*	**4**
	2. Reputation	*	*	*	*	**4**
	3. Commitment	*	*			2
Organisational	*4. Learning*	*	*	*	*	**4**
	5. Decision-making	*	*	*	*	**4**
	6. Culture	*		*		2
Process	*7. Relationships*	*	*	*	*	**4**
	8. Networks	*	*	*	*	**4**
Within-case totals		8	7	7	6	

* means that the resource dimension was clearly observed within that case

Table 4: Paradox Examples in Familiness Dimensions

Dimension	Paradox (within the characteristic patterns)
Reputation	The founder's strong reputation presents a source of advantage for the firm and subsequent generations but it also places immense pressure and can hinder the ability of subsequent generations to establish their own reputation.
Experience – insights & skills	Outside the firm experiences are important for generating new skills and knowledge into the family business yet at the same time they can be in conflict with the values and the culture of the firm that has been passed down over generations of the family.
Decision-making	Quick decision making have allowed agility and responsiveness to opportunities and threats. It has also led to expensive losses for the firms.
Learning	Informal learning has allowed the passage of the firm's culture and values across generations. It has also been a channel for the passage of not so desirable habits.
Relationships	Strain in relationships that both enhance and impede organisational processes.
Networks	Weak ties expand a firm's access to networks, information, and opportunities. However they are more distant, financially driven, less loyalty (in comparison to weak ties)